

Message Text

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ACTION EB-08

INFO OCT-01 ARA-10 EUR-12 EA-10 ISO-00 INT-05 GSA-02
AGRE-00 CEA-01 CIAE-00 COME-00 DODE-00 FRB-03
H-01 INR-10 L-03 LAB-04 NSAE-00 NSC-05 PA-01
CTME-00 AID-05 SS-15 STR-07 ITC-01 TRSE-00
USIA-06 SP-02 SOE-02 OMB-01 DOE-15 /130 W
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FM AMEMBASSY KUALA LUMPUR
TO SECSTATE WASHDC 3102
INFO AMEMBASSY BANGKOK
AMEMBASSY JAKARTA
AMEMBASSY LONDON
AMEMBASSY LA PAZ

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E.O.11652: N/A
TAGS: EMIN, MY
SUBJECT: TIN DEVELOPMENTS

REF: KUALA LUMPUR 2080

1. AS REPORTED IN REFTEL, DEPUTY MINISTER OF PRIMARY INDUSTRIES, PAUL LEONG MET WITH THE CHIEF MINISTER OF TIN-RICH PERAK STATE AND REACHED AGREEMENT FOR A JOINT FEDERAL-STATE TIN COMMITTEE WHICH WILL IN ITS "REGULAR MEETINGS CONSIDER PROBLEMS SUCH AS DELAY IN THE RENEWAL OF MINING LEASES, POLICY CONCERNING CONVERSION OF AGRICULTURAL LAND INTO MINING LAND AND LAND FOR PROSPECTING COULD BE RAISED WITH THE STATE AUTHORITIES. LEONG ALSO MENTIONED THAT THE STATES WOULD RECEIVE SUBSTANTIALLY HIGHER REVENUES UNDER THE NEW TAX SHARING PROVISIONS; POINTING OUT THAT AT A PRICE OF M\$1,650 PER PICUL, THE STATE'S INCREASE WOULD BE FROM M\$20.4 PER PICUL TO M\$33.30 PER PICUL, AN INCREASE OF 63.2 PERCENT, LONG STATED THAT THIS WILL REPRESENT A
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SIGNIFICANT INCENTIVE TO THE STATES TO STIMULATE THE MINING INDUSTRY.

2. THE MINISTER OF PRIMARY INDUSTRIES, DATUK MAAR TAIB MAHMUD ANNOUNCED THAT THE GOM IS STEPPING UP ITS PROSPECTING FOR TIN, ESPECIALLY IN OFFSHORE AREAS. HE STATED THAT OFFSHORE PROSPECTING NEAR LUMUT IN PERAK HAS BEEN COMPLETED AND MINING OPERATION SHOULD COMMENCE SOON. FURTHER OFFSHORE PROSPECTING WILL BE CONDUCTED IN

THE STATE OF SELANGORNDIVSBUYTUL (#)

THE CANADIAN GOVERNMENT IS ASSISTING THE GOM WITH A COMPREHENSIVE PROGRAM TO COVER THE CENTRAL BELT OF PENINSULAR MALAYSIA, DATUK TAIB MENTIONED THAT ONLY 65 PERCENT OF PENINSULAR MALAYSIA HAS YET BEEN MAPPED BY THE GOM AND THAT CONSIDERABLE PROSPECTING WORK REMAINS TO BE DONE.

3. THE MINES DEPARTMENT ANNOUNCED THAT TIN PRODUCTION INCREASED IN JANUARY BY 1,037 TONS (FROM 4492 TO 5529, A 23 PERCENT RISE) OVER PRODUCTION IN DECEMBER, 1977. THE DEPARTMENT ATTRIBUTED THIS INCREASE TO THE RISE IN THAT NUMBER OF MINES IN OPERATION WITH A NEW DREDGE COMING INTO OPERATION AND THE NUMBER OF GRAVEL PUMP MINES INCREASING FROM 784 TO 802, AN INCREASE OF 18. INDUSTRY SOURCES WERE QUOTED AS SAYING, HOWEVER, THAT THEY DID NOT EXPECT ANY MARKED INCREASE IN PRODUCTION THIS YEAR AND PREDICTED THAT THE SHORTAGE COULD WORSEN IN THE NEXT FEW YEARS.

4. COMMENT: WE CONTINUE TO BELIEVE THAT THE FORMATION OF FEDERAL-STATE COMMITTEES, SUCH AS THE ONE IN PERAK, REPRESENT AN ATTEMPT BY THE GOM TO FIND A SOLUTION TO THE MAJOR PROBLEM FACING THE MALAYSIAN TIN INDUSTRY--STATE LAND POLICIES. WHILE DATUK TAIB'S COMMENTS ON PROSPECTING ARE WELCOME INDICATIONS OF CONTINUING GOM CONCERN, INDUSTRY SOURCES HAVE INFORMED US THAT THE PROSPECTS FOR OFFSHORE OPERATIONS ARE NOT PARTICULARLY BRIGHT. THIS VIEW MAY CHANGE AS ADDITIONAL PROSPECTING IS CARRIED OUT, BUT LIMITED OFFICIAL USE

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AT PRESENT MALAYSIA'S OFFSHORE TIN DEPOSITS DO NOT LOOK AS VALUABLE AS THOSE OF EITHER THAILAND OR INDONESIA. THE MOST INTERESTING ELEMENT IN THE DEPARTMENT OF MINES' ANNOUNCEMENT REGARDING INCREASED PRODUCTION IN JANUARY IS THAT THE NUMBER OF GRAVEL PUMP MINES HAVE INCREASED. THIS IS A CONTINUATION OF A TREND THAT STARTED IN 1977 AND REVERSES THE SITUATION IN 1972-1976 WHEN THE NUMBER OF GRAVEL PUMPS DRASTICALLY DECLINED. MILLER

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